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Chairman Chabot, members of the committee: Thank you for inviting me here to speak with you today about U.S. foreign policy priorities and needs in South Asia. I welcome this opportunity to share with you the breadth and importance of our strategic engagement in this ever-crucial part of the world.

The South Asia region that I cover consists of India, Nepal, Bangladesh, Sri Lanka, Bhutan and Maldives; Special Representative for Afghanistan and Pakistan Marc Grossman has primary responsibility for those two critical countries.

South Asia holds more than 1.4 billion people, nearly a quarter of the world's population, and yet only about 2.5 percent of the world's GDP. More than 50 percent of South Asians are under 25, and nearly three-quarters of them live on less than \$2 per day.

This burgeoning, multi-ethnic, multi-religious region, anchored by the growing prosperity and global reach of India, plays an instrumental role in world affairs, international commerce, and global peace and security. Moreover, since 2008, democratically elected leaders govern all South Asian countries, an indication that India's thriving democracy has served as a useful model in the region.

The United States seeks to deepen its strategic partnership with India, highlighted by President Obama's recent visit to Mumbai and New Delhi in November 2010. Mirroring India's economic and political dynamism, the entire region is in the midst of a positive trajectory towards prosperity and peace. The United States aims to bolster this regional progress by promoting greater integration, which can build ties that will reinforce democratic institutions, build economies, and enhance security.

I will first discuss our strategic partnership with India. I will then delve into India's neighbors: Bangladesh's economic and social growth, Sri Lanka's recovery

from a devastating civil war, Nepal's attempt to bring its ongoing peace process to a successful conclusion, and the peaceful democratic transitions in Maldives and Bhutan.

India

The United States and India enjoy a strong global strategic partnership, highlighted by President Obama's recent visit to Mumbai and New Delhi in November 2010. India shares our commitment to pluralism, religious liberty, human rights, universal education and the promotion of innovation and free enterprise. Indeed our mutual commitment to these freedoms animates our global strategic partnership and provides us with the energy and the courage to build a better world together.

With the fulcrum of geopolitics shifting quickly to Asia, India plays an increasingly critical role in our strategic thinking. Given the significance of Asia, I'd like to take this opportunity to describe how a strategy of sustained, multi-faceted engagement with India contributes to stability and security in the United States, the South Asia region, and the world.

India's 8 percent growth rate makes India the world's second fastest-growing major economy today. It is projected to become the world's third largest economy in the year 2025. India's growth is driven by balanced, sustainable domestic demand. It is worth noting that the first Cabinet-level visit to India after the President was by Commerce Secretary Locke, who led a successful trade mission to India earlier this year.

The rise of India is in our best interest, and its growth redounds with benefits to our own economy. For instance, during the President's historic visit to India in November, he announced commercial deals that exceeded \$14.9 billion in total value with \$9.5 billion in U.S. export content, supporting an estimated 53,670 jobs. These deals reflect a snapshot in what is a growing continuum of mutually beneficial private sector and government deals between our robust, open, democratically-driven societies.

Despite the global economic recession, recently-released goods trade data for 2010 show record goods trade with India. U.S. exports to India rose by 17 percent; U.S. imports from India rose by 40 percent. We will continue to actively engage the Indian government to expand trade and investment opportunities for our businesses.

Given India's demography, burgeoning economy, and projected needs, we expect our export numbers to India to continue rising dramatically. We estimate that India's infrastructure needs alone – for sea ports, airports, roads, bridges, energy, hospitals, and the like – will reach a staggering \$1.7 trillion. We will facilitate increased economic engagement to take advantage of this opportunity.

India also is among the fastest growing sources of investment into the United States. Investment from India already contributes to the growth of the American economy and to the creation of jobs in the United States. In fact, in the last decade the stock of foreign direct investment into the United States that originated in India grew at an annualized rate of 53 percent reaching an estimated \$4.4 billion in 2009.

As a sign of India's global development and economic leadership, we have also started to collaborate on assistance activities, such as women's empowerment and capacity building activities in Afghanistan, and food security in Africa.

We have also embarked on a far-reaching dialogue on agricultural cooperation. In addition to the food security activities that the U.S. and India will initiate in Africa, we also discuss farm-to-market linkages and weather and crop forecasting. In fact, the National Oceanic and Atmospheric Administration has established a "monsoon desk" to coordinate the use of data to craft models and simulations, which will assist Indian farmers in planting and harvesting. Bolstering Indian food security would help the entire region feed its burgeoning population, and thereby lower global food prices.

One core facet of the U.S.-India global strategic partnership – and one that will reap extraordinary dividends both in economic and security terms – is our increasing defense ties.

Our two militaries enjoy a robust series of exchanges, visits, and exercises that create critical linkages between personnel and further deepen habits of cooperation. From counter-piracy to disaster relief, our two militaries have much to gain from each other especially in light of the similar challenges we both face in the Indian Ocean and Asia Pacific region.

I also want to touch upon U.S. defense sales to India, which have skyrocketed over the last decade. The value of these sales is not just the dollar figure – they both represent and strengthen deeper levels of cooperation between our two militaries

and facilitate building people-to-people ties. India has purchased more than \$4 billion of U.S. defense hardware over the last decade.

The Indian government is also in the final stages of finalizing a \$4.1 billion sale for ten C-17 Globemaster heavy-lift transport aircraft – a deal announced during the President’s recent visit. This deal will double U.S.-India defense trade and support more than 20,000 U.S. jobs. Once all these aircrafts have been delivered, India will have the second largest C-17 fleet in the world, behind that of the United States, providing the Indian Air Force with a strategic airlift and humanitarian response capability unique in the region.

Two American aircraft, the F/A 18 Super Hornet and F-16IN Viper, are among the contenders for the Medium Multi-Role Combat Aircraft (MMRCA) competition, an \$11 billion tender which we hope will further enhance strategic, military, and economic ties between the U.S. and India. And with India expected to spend more than \$45 billion on military modernization over the next five years, we hope the merits of American technology will continue to outshine the competition.

The global strategic partnership with India will remain among our top foreign policy priorities. As the President told the Indian Parliament last November, “with India assuming its rightful place in the world, we have an historic opportunity to make the relationship between our two countries a defining partnership of the century ahead.”

Bangladesh

On India’s eastern flank is Bangladesh. As a democratic and moderate Muslim majority nation of 160 million people, Bangladesh is a country with which the United States has a vested interest in maintaining close relations. Bangladesh has recently emerged as a strategically important regional player.

Like India, the growing economy of Bangladesh is attracting increased levels of U.S. foreign investment. Bangladesh relies on U.S. companies such as Chevron -- one of the largest foreign investors in the country -- to develop its energy resources and fuel its economic growth.

The Government of Bangladesh, despite recent questions surrounding its domestic governance, has cooperated with the U.S. on some of the most pressing issues of our time, including counterterrorism, food security, global health, and climate change, all which have far reaching implications beyond its borders. Since the

Prime Minister Hasina was elected in December 2008, Bangladesh has denied space to terrorists, capturing several key leaders of violent insurgent groups.

Prime Minister Hasina has also prioritized improving relations with India, which can help lead to regional solutions on energy shortages, water sharing, and security.

Bangladesh has achieved economic success in recent years, sustaining an annual growth rate of roughly 6 percent a year for past decade and well on track to meet most of the Millennium Development Goals by 2015. But Bangladesh still remains among the poorest countries in Asia. Its selection for all three of President Obama's global initiatives – the Global Health Initiative, Feed the Future, and Global Climate Change – could transform the development gains achieved so far into lasting, life-altering improvements.

Bangladesh is a secular democracy, with a history of religious and ethnic tolerance. It also can be proud of its vibrant and innovative civil society, which has produced such outstanding global citizens as Nobel Peace Laureate Dr. Muhammad Yunus, whose Grameen Bank was a pioneer of the concept of "microcredit" – providing small loans to tens of millions of Bangladeshis, especially women, who possess little or no collateral.

The Bangladesh government and Dr. Yunus have become embroiled in a struggle for control of Grameen Bank, which has implications for the health of Bangladesh's civil society. When I went to Bangladesh two weeks ago, Dr. James Wolfensohn and I pressed the Government of Bangladesh to protect the integrity of civil society and the autonomy of the Grameen Bank, and I warned that a failure to find a compromise that respects Dr. Yunus' global stature and maintains the integrity and effectiveness of Grameen could affect our bilateral relations. In the meantime, we intend to work with Bangladesh and its people to advance our common interests and help sustain the country's upward movement.

Sri Lanka

Off the coast of southern India sits Sri Lanka, still recovering from the 26-year conflict with the LTTE.

Positioned directly on the shipping routes that carry petroleum products and other trade from the Gulf to East Asia, Sri Lanka remains of strategic interest to the U.S. An important contributor to global peacekeeping operations, Sri Lanka stands

poised to be a capable and willing partner to effectively combat violent extremism, trafficking and piracy, and thereby help to ensure the maritime security of the region.

But the Government's worrisome record on human rights, weakening of democratic institutions and practices, and the way in which it conducted the final months of its conflict against the Tamil Tigers hamper our ability to fully engage.

The Administration believes – and Congressional Appropriations language specifies – that our security cooperation, in many forms, should remain limited until progress has been made on fundamental human rights, democracy and governance issues, and the concrete steps necessary for a true and lasting national reconciliation.

The United States welcomed Sri Lanka's establishment of their Lessons Learnt and Reconciliation Commission and its implementing body – the Inter Agency Advisory Committee. Sri Lanka also has taken some steps forward on reconciliation such as resettling the vast majority of the nearly 300,000 internally displaced persons at the end of the conflict, demining 5 million square meters, reducing the reach of High Security Zones, and hiring 335 Tamil-speaking police, and beginning a dialogue with the Tamil National Alliance but more needs to be done. We have urged Sri Lanka to take credible and meaningful steps towards accountability and have warned that a failure to do so is likely to generate pressure for an international commission.

Our assistance programs aim to increase post-conflict stability in the North of Sri Lanka by promoting reconciliation, enhancing local governance, building civil society capacity, increasing economic opportunities to those affected by conflict, and assisting the continued resettlement and reintegration of displaced persons.

I will travel to Colombo tonight for a two-day visit, during which I will stress the importance of reconciliation and accountability to the future stability of the nation.

Nepal

One of the poorest countries in Asia, Nepal continues its dramatic transformation from a caste-bound constitutional monarchy, wracked by a bloody Maoist insurgency from 1996-2006 that killed over 13,000 people, to a federal republic that represents and includes all minorities and ethnicities.

Although numerous challenges remain, overall trends are positive. Since resigning from government in 2009, the Maoists have remained engaged in parliamentary politics, and on March 4 agreed to join the government of newly elected Prime Minister Jhala Nath Khanal.

While the political parties remain divided on the form of government and state structure, the number of outstanding issues has narrowed significantly over the past few months, especially on crucial matters like the independence of the judiciary. Given a sufficient amount of political will from all sides – the government may meet the May 28 constitutional drafting deadline. Despite its sometimes halting pace, the peace process nonetheless remains intact, and we see no imminent threat of a return to armed violence.

As an indication of their resolve to move ahead, the Maoists transferred command of their combatants to a multi-party Special Committee this January that is overseeing the monitoring mechanism previously maintained by the UN.

With the formation of the new coalition government, we look forward to a re-energized commitment from all parties toward finalizing the rest of the peace process, especially the integration and rehabilitation of Maoist combatants along lines agreed to by consensus among the political parties.

In order to help move the political process forward, we have helped build the capacity of key democratic institutions like the Election Commission, the Nepalese Parliament, and political parties to become more democratic, inclusive, and effective through training and workshops.

As my colleague, the Assistant Administrator for Asia at USAID, Nisha Biswal will attest, a wide range of USAID activities – ranging from increasing farmers' incomes to providing vocational and literacy training to helping ensure sustainable, accessible quality basic healthcare throughout Nepal – have helped improve prospects for employment, education, or even just longevity across the country.

We similarly welcome the upcoming signing of a Trade and Investment Framework Agreement with Nepal, which will help strengthen the commercial relationship between the two countries and facilitate the sort of broad-based activity necessary for economic development.

When Nepal's political leadership demonstrates its readiness to move forward on the final elements of the peace process, we stand ready to provide limited support

for some aspects of rehabilitation such as vocational training or to help ease the transition of these young Nepalis back into civilian life.

Maldives

While we seek to bolster the democracies in Nepal and Sri Lanka after devastating internal conflicts, we seek to reinforce the peaceful democratic transition that occurred in the Maldives in 2008. As a small, pro-American, majority Muslim nation in its third year of fledgling democracy, Maldives punches well above its weight globally. A good example of Maldives' willingness to stake out courageous and correct positions was its co-sponsorship of an Iran human rights resolution of the UN Human Rights Council in February.

We look to promote and enhance maritime security and law enforcement with Maldivian forces, who look after the security of more than 1200 islands. While they continue to demonstrate the effectiveness of their small, but very professional National Defense Force, Maldives is situated on the front lines of common threats including Somali piracy, narco-trafficking and the recruitment and training grounds of Al Qaeda and Lashkar-e-Taiba.

Bhutan

Although Bhutan maintains a policy of not having official relations with any P-5 member, we continue to have warm interactions with this Himalayan Buddhist kingdom that also peacefully transitioned to a parliamentary democracy in 2008. We recently hosted the Chief Justice and several Supreme Court judges, who in a sign of judicial independence, recently ruled against the government in their first federal case, which, you might not be surprised to learn, involved taxes. Under Secretary for Global Affairs Maria Otero also traveled to Bhutan in February to discuss the possibility of repatriating Bhutanese refugees currently in Nepal.

Ensuring Regional Stability

The key to knitting these diverse but important nations together lies with New Delhi. Indian Foreign Secretary Nirupama Rao put it well in a speech last fall, when she said that India's emergence as a global power requires "*a peaceful and stable neighborhood and external environment.*"

South Asia is one of the least regionally integrated regions in the world. Regional peace will allow South Asia to reach its full potential. Continued social and

economic integration throughout South Asia has at its core India's growing and emerging global leadership and the importance of improved ties between India and Pakistan. Prime Minister Singh's statesmanship, and his partnership with counterparts in Pakistan and Bangladesh, has proved crucial in leading regional integration efforts. It is worth repeating that a stable South Asia provides unquestionable benefits to the safety and security of the United States.

Finally, I'd like to take note of the recent resumption of talks between India and Pakistan and the demonstration of goodwill by both sides. Both countries made important strides during Home Secretary talks last week by agreeing, among other things, to set up a "hotline" between the two governments to share information about the threat of terrorism in real time; to examine how to streamline visa issues; and to share information and facilitate the work of an Indian Commission investigating the Mumbai terror attacks. By inviting Prime Minister Gilani of Pakistan to sit with him during last week's historic cricket match, Indian Prime Minister Manmohan Singh displayed brave leadership in reaching out to the majorities in both countries who have a more hopeful vision for India-Pakistan relations. We commend the Prime Minister's leadership, and feel that this is another very important opportunity for both governments to explore important items on their agendas. We hope that progress can be made.

Conclusion

Mr. Chairman, in conclusion, South Asia is one of the most vital regions in the world for the United States and its importance will only grow. The recent histories of Bangladesh, Sri Lanka, Nepal, Bhutan, and Maldives show that they are joining India in consolidating democracy, on a path towards full human rights, and contributing to the peace and security of the larger world. They may seem small, but they understand the need to think big and the importance of working with the United States.

Thank you. I look forward to your questions.